

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 AGR-05 AID-05 CEA-01 CIAE-00 CIEP-01

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OES-03 SP-02 SS-15 STR-01 TRSE-00 FRB-01 PA-01

USIA-06 PRS-01 TAR-01 /086 W
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R 241545Z DEC 74

FM AMEMBASSY GUATEMALA

TO SECSTATE WASHDC 5360

INFO AMEMBASSY CARACAS

AMEMBASSY TEGUCIGALPA

AMEMBASSY SAN SALVADOR

AMEMBASSY MANAGUA

AMEMBASSY SAN JOSE

C O N F I D E N T I A L SECTION 1 OF 2 GUATEMALA 6934

E.O. 11652: GDS

TAGS: PFOR, OCON, ENRG, EFIN, GT

SUBJECT: THE VENEZUELAN AGREEMENTS: MINECON PALOMO SPEAKS
PRIVATELY ABOUT GOG ATTITUDES AND ITS GROWING SENSE OF
ECONOMIC NATIONALISM

1. IN PRIVATE CONVERSATION WITH EMBOFF DEC 23, MINECON

PALOMO DISCUSSED AGREEMENTS WITH GOV AND RELATED GOG ATTITUDES, SELA, ATTITUDES OF ECONOMIC NATIONALISM WITHIN THE GOG AND BANANAS.

2. THE VENEZUELAN AGREEMENTS: GOG UNDERSTANDING OF AGREEMENTS IS ESSENTIALLY SAME AS THAT REPORTED OTHER POSTS. RE FUNDS TO BE GENERATED FROM PETROLEUM SCHEME, GOG ESTIMATES SIX YEAR TOTAL OF \$123 MILLION AND \$33 MILLION FOR 1975. USING CURRENT PRICES, WE ESTIMATE \$109 MILLION AND \$31
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MILLION. IN MAKING ITS ESTIMATE, GOG HAS USED 14,800 B/D

QUOTA MENTIONED CARACAS 12424. ON PREPAYMENT ISSUE, PALOMO ASSERTED AGREEMENT PERMITS GOG MAKE PREPAYMENT BUT DOES NOT ALLOW GOV DEMAND PREPAYMENT. TURNING TO PROJECTS, HE SAID THAT WHILE GOG PLANNING COUNCIL SECRETARIAT NOW WORKING UP PROGRAM FOR USE OF FUNDS, BULK OF THEM WILL PROBABLY GO FOR CHIXOY HYDROELECTRIC PROJECT. INTERESTINGLY, PALOMO ALSO REPORTED THAT GOV IS CONSIDERING LOAN FOR CHIXOY OVER AND ABOVE PETROLEUM FUND FINANCING. AS TO WHETHER GOV WILL HAVE VETO AUTHORITY OVER PROJECTS, HE SAID THAT ISSUE WOULD BE SIDESTEPED BY ONLY INVOLVING PROJECTS THAT HAVE IBD, IBRD, ETC. APPROVAL.

3. ONE PROBLEM UNIQUE TO GUATEMALA POSED BY PETROLEUM AGREEMENT INVOLVES THE CHEVRON/SHELL OWNED GUATCAL REFINERY. NEGOTIATIONS HAD BEEN UNDERWAY TO SHUT DOWN THAT MONEY LOSING REFINERY AND PERMIT CHEVRON AND SHELL TO IMCPRT FINISHED PRODUCTS. SINCE THE PRODUCTS WOULD COME FROM CURACAO AND THEREFORE AS IMPORTS WOULD NOT GENERATE THE VENEZUELAN PAYMENTS INTO THE PETROLEUM FUND, THEY NOW CANNOT BE AUTHORIZED. PALOMO SAID, HOWEVER, THAT SOME SOLUTION MUST BE FOUND FOR COMPANIES' PROBLEM. ACCORDINGLY, WE DO NOT ANTICIPATE THAT THIS ISSUE WILL BLOSSOM INTO A MAJOR COMMERCIAL PROBLEM.

4. AFTER DISCUSSIN DETAILS OF THE AGREEMENTS, EMBOFF IN-QUIRED WHY PRESIDENT LAUGERUD HAD TAKEN SUCH A DEFENSIVE POSTURE IN PRESENTING THEM TO THE GUATEMALAN PUBLIC (GOG HAS MADE NO SECRET COMMITMENTS, ETC. SEE GUATEMALA 6897). PALOMO REPLIED THAT THE PRESIDENT WAS VERY SENSITIVE TO BELITTILING REMARKS MADE BY MANY EDITORIALISTS, ESPECIALLY ALVARO CONTRERAS OF PRENSA LIBRE AND FELT COMPELLED TO DENY THEIR INSINUATIONS ABOUT SELLING OUT TO THE "EMIRS OF MARACAIBO". IN OTHER WORDS, THE PRESIDENT'S STANCE SUGGESTED NEITHER RESERVATIONS ABOUT THE AGREEMENTS WITHIN THE GOG NOR THAT THE ALLEGATIONS HAVE ANY SUBSTANCE.

5. WITH REGARD TO THE COFFEE RETENTION FUND AGREEMENT, PALOMO SAID THAT THE GOG HAS STILL NOT DECIDED WHETHER OR NOT TO UTILIZE SUCH FUNDS. PRESIDENT LAUGERUD HAS PUBLICLY INDICATED, HOWEVER, THAT GUATEMALA WILL PROBABLY NOT BE INVOLVED IN THE SCHEME.

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6. SELA: AT PRESIDENT LAUGERUD'S PRESS CONFERENCE A QUESTION WAS RAISED ABOUT SELA. PALOMO ANSWERED IT THE NEXT DAY WITH A SPECIAL PRESS RELEASE THAT DESCRIBED THE PROPOSED ORGANIZATION IN CONSIDERABLE DETAIL. GIVEN THE FACT THAT IMMEDIATELY PRIOR TO THE VENEZUELAN MEETING PALOMO KNEW PRACTICALLY NOTHING ABOUT SELA (SEE GUATEMALA 6509), THE EMBOFF ASKED WHETHER THE DETAILED AND IMPLICITLY POSITIVE PRESS RELEASE INDICATED A GOG

POLICY POSITION. PALOMO REPLIED THAT WHILE THE GOG HAS NOT YET ADOPTED A POLICY IN THIS REGARD, THE PROPOSAL WAS STUDIED AT THE CABINET LEVEL FOLLOWING THE VENEZUELAN MEETINGS AND THE GENERAL FEELING WAS POSITIVE. HE NOTED THAT PRESIDENT LAUGERUD PERSONALLY WAS INTERESTED.

7. ECONOMIC NATIONALISM: AS WE REPORTED (GUATEMALA 6897), PRESIDENT LAUGERUD IN DISCUSSING THE VENEZUELAN MEETINGS AT HIS PRESS CONFERENCE ADOPTED A VERY, FOR GUATEMALA, NATIONALISTIC STANCE. THE FOLLOWING DAY, PALOMO HAD HIS OWN PRESS CONFERENCE IN WHICH HE DECLARED THAT ALL GUATEMALAN PUBLIC SECTOR ORGANS AND EMPLOYEES "ARE CALLED UPON TO IDENTIFY THEMSELVES WITH THE NATIONAL AND INTERNATIONAL ECONOMIC POLICIES OUTLINED BY PRESIDENT LAUGERUD... ESPECIALLY WITH RESPECT TO THE DEFENSE OF THE COUNTRY'S RESOURCES VIS A VIS THE INTERESTS OF THE MULTINATIONAL COMPANIES." PALOMO INDICATED THAT LAUGERUD HAD "PROJECTED GUATEMALA INTERNATIONALLY WITHIN THE ORBIT (ACCION) OF LATIN AMERICA AND THE THIRD WORLD IN GENERAL, WHO ARE DEFENDING THEIR RICHES... IN THE FACE OF MULTINATIONAL COMPANIES WHO HAVE TAKEN ADVANTAGE OF THE NOBILITY AND WEAKNESS OF COUNTRIES THAT ARE ON THE PATH OF DEVELOPMENT." SINCE PALOMO'S REMARKS, FONMIN MOLINA HAS ALSO SPOKEN OUT ALONG NATIONALISTIC LINES(REPORTED SEPTEL).

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AMEMBASSY MANAGUA
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C O N F I D E N T I A L SECTION 2 OF 2 GUATEMALA 6934

8. BECAUSE FOR THE GOG SUCH REMARKS ARE MOST UNUSUAL, EMBOFF RAISED THE ISSUE WITH PALOMO BY ASKING FOR GUIDANCE AS TO HOW HE SHOULD INTERPRET TO THE DEPARTMENT THIS FLURRY OF STATEMENTS BY GOG POLICY MAKERS. PALOMO QUITE FRANKLY SAID THAT THE GOG HAD DECIDED TO SPEAK "CLEARLY" ABOUT WHAT ALREADY IS AN ESTABLISHED FACT. HE SAID THAT IN SO FAR AS ECONOMICS IS INVOLVED GUATEMALA IS WITH THE THIRD WORLD; IDEOLOGICALLY AND POLITICALLY, HE EMPHASIZED, THE GOG REMAINS FIRMLY WITH THE USG. PALOMO EXPLAINED THAT SUCH FEELINGS OF ECONOMIC NATIONALISM AROSE DURING THE LATTER DAYS OF THE ARANA ADMINISTRATION AND HAVE CRYSTALIZED UNDER LAUGERUD. IN DESCRIBING THIS PROCESS HE REFERRED TO THE GROWING SENSE OF "INDEPENDENCE" WITHIN THE GO. WHEN THE EMBOFF OBSERVED THAT SIMILAR REMARKS HAD BEEN MADE BY MANY OF HIS CENTRAL AMERICAN COLLEAGUES FOLLOWING THE VENEZUELAN MEETINGS, PALOMO FIRST ASSERTED THAT IT WAS COINCIDENTAL AND THEN, LAUGHINGLY, ADMITTED THAT "WHEN YOU ARE TOGETHER CONCENTRATING ON A CENTRAL THEME, ITS UNDERSTANDABLE THAT IT CONFIDENTIAL

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IS ON YOUR MIND AND YOU TALK ABOUT IT AFTERWARD."

9. BANANA TAX: REFERENCE MADE BY PALOMO TO THE MULTINATIONAL COMPANIES WAS SPECIFIC AS WELL AS GENERAL. HE EXPLAINED THAT HE VERY CLEARLY HAD DEL MONTE IN MIND WHEN MAKING THE REMARKS DISCUSSED ABOVE. FOR THE FIRST TIME SINCE THE BANANA TAX ISSUE EMERGED, THE GOG FEELS ITSELF IN A CONFRONTATION WITH THE COMPANY. PALOMO TOOK THE INITIATIVE ON THIS CONTROVERSIAL ISSUE BY DECLARING THAT DEL MONTE NOT ONLY WAS NOT COOPERATING WITH THE GOG (BY FACILITATING A CONTRACT RENEGOTIATION THAT WOULD PERMIT AN EXPORT TAX) BUT THAT IT HAD BEEN BEHIND THE RECENT CONGRESSIONAL MOVES TO DEFEAT AN EXPORT TAX PROPOSAL. WHILE SUCH REPORTS, WHICH THE EMBASSY HAS ALSO HEARD BUT CANNOT CONFIRM, UNDOUBTEDLY HAVE IRRITATED GOG OFFICIALS, PALOMO ALSO NOTED THAT SINCE THE TAX NOW IS BEING PAID IN THREE OTHER COUNTRIES, DEL MONTE SHOULD GO ALONG IN GUATEMALA. IN OTHER WORDS, HE DECLARED THAT THE GOG POLICY OF NOT BEING THE FIRST IN LINE AND BEARING THE BRUNT OF THE ISSUE HAS NOW RUN ITS COURSE.

10. COMMENT: IT CERTAINLY WOULD APPEAR THAT FINALLY THE GOG HAS CONSCIOUSLY EMBRACED THE WIDELY HELD LATIN AMERICAN THESIS OF ECONOMIC NATIONALISM. EARLIER THIS YEAR WE SURMISED THAT PRESIDENT LAUGERUD MIGHT LEAD HIS GOVERNMENT IN THIS DIRECTION, GIVEN HIS OWN SENSE OF NATIONALISM. THE TIMING OF HIS MOVE OBVIOUSLY HAS INVOLVED THE VENEZUELAN MEETINGS. WHETHER THE

GOV TRIED TO PERSUADE THE CENTRAL AMERICANS TO ADOPT THE RHETORIC OF THE DAY (AS PER SOMOZA'S STATEMENTS REPORTED IN MANAGUA 4849) OR NOT IS BESIDE THE POINT. THE SEED WAS THERE AND IN GOOD LATIN FASHION, AND AS PALOMO IN A SENSE ADMITTED, TALK IS MERELY THE WATER THAT FORCES THE BLOOM. MOST PROBABLY WE CAN EXPECT MORE RHETORIC IN THE MONTHS AHEAD. WHILE IT MAY EXACERBATE SOME ISSUES, SUCH AS IN THE CASE OF BANANAS, IT ALSO IS ENDURABLE. AS PALOMO ALSO IMPLIED, GUATEMALA'S BASIC INTERESTS RUN PARALLEL TO OURS.

ANDREWS

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